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United Nations Population Fund

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Recommendations of the Board of Auditors

UNDP: Report on implementation of the recommendations of the Board of Auditors for the biennium 2002-2003

Report of the Administrator

Issues

In taking note of the present report, the Executive Board may also wish to note that UNDP has made considerable progress in implementing the recommendations made by the Board of Auditors in its report for the biennium 2002-2003.

1. As in previous biennia, and in accordance with General Assembly resolutions 47/211 of 22 December 1992 (paragraphs 9, 10 and 12) and 48/216 B of 23 December 1993 (paragraph 5), the Administrator is bringing to the attention of the Executive Board the report on the implementation of the recommendations of the Board of Auditors on UNDP for the biennium ending 31 December 2003 (A/59/5/Add.1).

2. The present report has been prepared in response to General Assembly resolutions 48/216 B and 52/212 B, in which the General Assembly requested the Secretary-General and the executive heads of United Nations organizations and programmes to provide the General Assembly with their responses and to indicate measures that would be taken to implement those recommendations, with appropriate timetables, at the same time that the recommendations of the Board of Auditors are submitted to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions (ACABQ).

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3. The annex to the present document contains an update of the actions taken by UNDP on the recommendations of the Board of Auditors. The paragraph references in the annex are from document A/59/5/Add.1, the United Nations Development Programme, Financial Report and Audited Financial Statements for the biennium ended 31 December 2003 and Report of the Board of Auditors. The Administrator has provided an update on the UNDP response to the outstanding recommendations as well as the status of any follow-up action and the target date for completion at the date of preparing the present document. The Administrator is pleased to report that progress has been achieved in most areas and efforts are being made to address the issues that are still outstanding.

Annex
Response to the United Nations Board of Auditors' Report on the accounts of the United Nations Development Programme (UNDP) for the biennium ended 31 December 2003

Recommendation

Paragraph 26. **UNDP agreed with the Board's reiterated recommendation to closely monitor the financial position of United Nations Capital Development Fund to ensure that it maintains a healthy fund balance; and further recommends that UNDP evaluate project implementation with a view to ensuring that programming objectives can be efficiently achieved with limited funding.**

UNDP response

4. UNCDF informed the Board that it had taken a number of measures to ensure the financial integrity of the fund by reducing programming levels with outstanding commitments against core resources bringing the outstanding programme commitments against core resources to less than half of the level of the allowed outstanding commitments ceiling using the partial funding formula.

Recommendation

Paragraph 33. **The Board recommends that UNDP complete the adjustment process of all non-expendable equipment records at country offices to bring the value in line with the revised non-expendable policy.**

UNDP response

5. UNDP has taken action to ensure that country offices and other offices away from Headquarters amend their inventory records to reflect only items with values of $1,000 or more and to document the adjustments made, which process it expects to have completed by October 2004. This item is being followed up by the Director, Administration Services Division (ASD).

Recommendation

Paragraph 36. **UNDP agreed with the Board's recommendation that it update its inventory records on a regular basis to ensure that all additions and disposals are accounted for.**

UNDP response

6. UNDP informed the Board that the newly implemented Atlas system would address this weakness. All non-expendable equipment items acquired by headquarters since January 2004 have been capitalized in the assets module of Atlas. Training guides on the assets module were already provided to country offices. Country offices also continue to capitalize non-expendable items procured in 2004 in the assets module.

Recommendation

Paragraph 40. **UNDP agreed with the Board's recommendation that it implement measures to ensure that country offices comply with the financial regulations and rules and other directives in respect of inventory control.**

UNDP response

7. UNDP issued a directive in mid-July 2004 to all country offices and other offices away from headquarters on the issue of compliance with financial regulations and rules with respect to inventory control. This item is being followed up by the Director, ASD.

Recommendation

Paragraph 54. **UNDP agreed with the Board's recommendation that it consider the disclosure of items in the financial report in terms of best governance principles relating to oversight, performance reporting, social accounting issues, risk management, continuity and internal control issues. In this regard, UNDP should revert to paragraph 6 of resolution 57/278 of 20 December 2002, by which the General Assembly requested the Secretary-General and the executive heads of the funds and programmes of the United Nations to examine governance structures, principles and accountability throughout the United Nations system, since better disclosure would be a step towards taking a pro-active approach to the review requested by the Assembly.**

UNDP response

8. UNDP informed the Board that this review would have to take into account the reporting needs of stakeholders who make use of the financial statements, and the content and audience for other financial reports that UNDP prepares for its Executive Board and would consider these disclosures part of the Financial Report (Chapter 1) to the financial statements for the biennium 2004-2005. UNDP further informed the Board that such a review should be spearheaded by the High-Level Committee on Management (HLCM) to ensure its consistency with efforts towards simplification and harmonization within the United Nations system. On the initiative of UNDP, this was placed on the agenda of the HLCM meeting in October 2004 and it was decided to create a working group to address the issue.

Recommendation

Paragraph 57. **UNDP agreed with the Board's recommendations that it: (i) consider reviewing Schedule 8 as well as Note 3(d) and Note 9 to the financial statements with a view to improving its disclosure and presentation; (ii) consider preparing separate statements for funds administered by UNDP; and (iii) disseminate improvements made to other United Nations organizations through inter-agency mechanisms such as the High-Level Committee on Management.**

UNDP response

9. Items (i) and (ii) will be dealt with in the 2004-2005 biennium statements. Item (iii) is an ongoing process with the HLCM Finance Network.

Recommendation

Paragraph 59. **UNDP agreed with the Board's reiterated recommendation to expedite clearance of the outstanding reconciling items and affect the appropriate adjusting entries in a timely manner.**

UNDP response

10. UNDP continues to monitor the status of the payroll bank account reconciliations with the United Nations.

Recommendation

Paragraph 63. **The Board recommends that UNDP continue to improve its mechanism to identify contributions and clear such receipts in a timely manner.**

UNDP response

11. The level of unapplied deposits have remained at a high level in 2004 due mainly to the issues of insufficient information from the donor as to the purpose of the deposit and also the impact of the change in accounting system from the Integrated Management Information System (IMIS) to Atlas. A concerted effort is being made by headquarters and country offices to bring the unapplied level down.

Recommendation

Paragraph 70. **The Board reiterates it previous recommendation that UNDP: (i) ensure that all organizational units review unliquidated obligations on a monthly basis and provide the required certification of valid obligations in a timely manner; and (ii) follow up on any differences in unliquidated obligations reported by organizational units and make the necessary adjustments to the financial records.**

UNDP response

12. The encumbrance accounting facility functionality was migrated to production in the third quarter of 2004. Once the functionality is fully operational, UNDP will have the ability to monitor and ensure that all organizational units close no-longer-needed obligations, provide written confirmations of unliquidated obligations and make the necessary adjustments to the financial records.

Recommendation

Paragraph 73. **UNDP agreed with the Board's reiterated recommendation to review regularly the complete ageing of accounts receivable with the view to collecting long-outstanding amounts.**

UNDP response

13. UNDP informed the Board that the Atlas system would make it easier to regularly analyse the accounts receivable data, verify the ageing of outstanding items on a worldwide basis and follow-up long outstanding items.

Recommendation

Paragraph 77. **UNDP agreed with the Board's reiterated recommendation to, in conjunction with the Administrations of the United Nations and other funds and programmes, review the funding mechanism and targets for end-of-service and post-retirement benefits liabilities.**

UNDP response

14. UNDP informed the Board that it would continue to work with UNFPA and UNOPS as well as with the HLCM finance network to formulate formal funding policies for after service health insurance.

Recommendation

Paragraph 86. **The Board recommends that UNDP, in conjunction with other United Nations organizations, develop mechanisms to effectively control inter-agency transactions in an efficient manner and to clear outstanding reconciling items.**

UNDP response

15. UNDP will work with PeopleSoft consultants to investigate ways in which the Atlas system could be used to improve accounting for interagency transactions. This will be done in conjunction with other United Nations organizations.

Recommendation

Paragraph 89. **UNDP agreed with the Board's reiterated recommendation to intensify its efforts to complete the review of outstanding advances provided to Governments and non-governmental organizations and to provide for amounts considered doubtful.**

UNDP response

16. UNDP has written to each country office requesting them to take appropriate action on such advances. The Comptroller's Division, using Atlas reports, is following up with country offices on this issue. The review will be completed by the end of 2004.

Recommendation

Paragraph 97. **UNDP agreed with the Board's reiterated recommendation to include audit clauses in all project agreements and that their implementation be monitored.**

UNDP response

17. The UNDP Programming Manual states that audit clauses should be included in project agreements, and, as of January 2004, the Office of Audit and Performance Review (OAPR) has included procedures to test compliance with this section of the manual in its country office audit guide.

Recommendation

Paragraph 103. **UNDP agreed with the Board's reiterated recommendation to continue to devote special attention to those country offices that do not submit their follow-up action plans and obtain and evaluate the reasons for non-submission. The Board further recommended and UNDP agreed that it evaluate the feasibility of extending the Comprehensive Audit Recommendation Database System to include the monitoring of the status of implementation of audit recommendations made by the nationally executed expenditure project auditors as well.**

UNDP response

18. OAPR informed the Board that they would explore the possibility of extending CARDS to country offices and project staff to assist them in their follow-up of the recommendations made by the NEX project auditors. OAPR will endeavour to prepare a user requirements document that reflects the internal requirements of OAPR, NEX reports, country offices, and projects by the end of the 4th quarter of 2004.

Recommendation

Paragraph 107. **UNDP agreed with the Board's reiterated recommendation to base its planned audit coverage of nationally executed expenditure projects in accordance with its criteria. The Board further recommends that UNDP continue to evaluate the reasons for nationally executed expenditure projects, which are not being subjected to audit by the country offices, in terms of UNDP guidelines.**

UNDP response

19. OAPR continues to follow up to ensure that for every project either an audit is arranged or satisfactory reasons are provided for its exclusion.

Recommendation

Paragraph 111. **UNDP agreed with the Board's recommendation that it intensify its efforts to complete the compilation of the comprehensive database to facilitate the implementation of a risk-based assessment model.**

UNDP response

20. UNDP agrees with the Board that a proper risk assessment is necessary in order to assess whether the benefits of an audit are likely to exceed the costs, with respect to projects executed by governments or by NGOs. In this regard, OAPR instructs country offices to conduct a risk analysis, taking into account the local environment, and make recommendations to OAPR as to whether audits should be arranged. UNDP agrees that the process for conducting the risk assessment could be improved and anticipates that the recommendations of the UNDG working group on resource transfer modality (RTM) will achieve this. The RTM working group would prepare guidelines on auditing and technical notes on risk assessment at the end of 2004.

Recommendation

Paragraph 114. **UNDP agreed with the Board's reiterated recommendation to: (i) quantify the financial effect of qualified audit opinions on nationally executed expenditure; and (ii) evaluate such qualifications against the action plans for reasonableness.**

UNDP response

21. The technical guidelines 'Specimen terms of reference for audits of NEX or NGO' will be revised by OAPR by the end of 2004 to clarify these requirements and address inconsistencies.

Recommendation

Paragraph 118. **UNDP agreed with the Board's recommendation that it compile a comprehensive Information and Communication Technology (ICT) strategy that addresses the short, medium and long-term objectives, risks and constraints.**

UNDP response

22. The ICT Strategy for 2004-2005 has been issued. Risk management is integral to the execution of this strategy. Effective 1 October 2004, UNDP has appointed a chief information security officer who will oversee improvements to the ICT security environment.

Recommendation

Paragraph 122. **UNDP agreed with the Board's recommendation that it consider the benefits of adopting international standards and best practices to be applied to its information and communication technology environment.**

UNDP response

23. UNDP informed the Board that the Office of Information Systems and Technology (OIST) is considering appropriate international standards in the context of stabilizing implementation of the Atlas system.

Recommendation

Paragraph 131. **UNDP agreed with the Board's recommendation that it translate the benefits of the project into appropriate quantifiable and measurable targets to be measured and reported on at appropriate intervals.**

UNDP response

24. UNDP is maintaining a benefits log for Atlas. Additionally, UNDP has contracted a consulting firm to provide professional services in the development and implementation of an industry-proven methodology and strategy to measure and track Atlas project-related benefits. It is expected that the results would be captured through the results-based management practices of UNDP.

Recommendation

Paragraph 133. **UNDP agreed with the Board's recommendation that it continuously monitor the Atlas implementation expenditure in order to remain within the allocated budget.**

UNDP response

25. Expenditures are being monitored within the existing governance structure for the ICT strategy. A budget for the maintenance of Atlas and other ICT Strategy elements was presented to and approved by the Senior Management Team and funds were made available under the 2004-2005 biennium support budget, in addition to an allocation of $19.5 million from extra budgetary resources. The Executive Team, chaired by the Associate Administrator, provides oversight of the ICT budget.

Recommendation

Paragraph 136. **UNDP agreed with the Board's recommendation that it expand contingency measures to ensure that it has the ability to continue to provide information system processing capabilities.**

UNDP response

26. UNDP will expect its chief Information security officer to review contingency measures based on a risk assessment to be undertaken with OAPR.

Recommendation

Paragraph 141. **UNDP agreed with the Board's recommendation that it deploy appropriate monitoring tools to monitor the performance of the system.**

UNDP response

27. UNDP has developed and deployed performance-monitoring tools, and in July 2004 made them accessible to all country offices. Performance monitoring of the Unisys/Corio contracted infrastructure began formally in July 2004 in accordance with a service level agreement (SLA).

Recommendation

Paragraph 144. **UNDP agreed with the Board's recommendations that it: (i) update the data conversion strategy to reflect all decisions taken and communicate the various decisions appropriately; (ii) finalize the implementation plan of the Enterprise Performance Management data warehouse as soon as possible; and (iii) task its internal audit section to verify the validity and accuracy of the journals to be posted as a result of the data clean-up.**

UNDP response

28. UNDP is considering Enterprise Performance Management (EPM) functionality in its planning for Wave 2 and will prioritize EPM relative to other Wave 2 proposals. The verification of human resource and finance data is possible in the current system and will be reflected in the EPM when the data is migrated

there. The data from the following legacy systems have already been archived in the EPM environment: the Project Financial Management System, Financial Information Management, the Integrated Management Information System, Hyperion, the Financial Statement Analysis and Reporting System and the Windows Field Office Accounting System.

29. In October 2004 OAPR completed a special audit that reviewed the validity and accuracy of the data clean-up.

Recommendation

Paragraph 147. **UNDP agreed with the Board's recommendation that it expedite the development and implementation of the policy on managing access to the Atlas query tool.**

UNDP response

30. UNDP has put in place a training and testing programme to certify users to run queries. Once certified, the selected users can create read-only queries in production. Based on the defined roles in the Atlas system, authorized end users have access to public queries for execution. Private queries are available only to the UNDP users who have created them. Additionally, queries executed in the human resources system are limited by the row-level security filters in place based on the user profile. Moving forward, UNDP is moving the query execution capability to the reporting database to reduce the load on the production system.

Recommendation

Paragraph 150. **UNDP agreed with the Board's recommendation that it establish minimum standard requirements against which to measure the response time to resolve problem cases.**

UNDP response

31. The Atlas Service Centre management guide, with service level agreements, was drafted and published in March 2004. As the helpdesk function is currently under the prerogative of the Centre for Business Solutions (CBS) with effect from September 2004, the overall user support strategy, including the service level agreements, will be reviewed and is expected to be formalized before the end of December 2004.

Recommendation

Paragraph 157. **UNDP agreed with the Board's recommendation that it perform an independent comprehensive post-implementation evaluation review of the set-up and effectiveness of the built-in controls of the Atlas system as soon as possible.**

UNDP response

32. A draft terms of reference has been prepared and UNDP hopes to initiate the review by mid November 2004.

Recommendation

Paragraph 160. **UNDP agreed with the Board's recommendation that it compile, approve and disseminate to all staff an overall internal control framework that covers all modules of Atlas as a matter of priority.**

UNDP response

33. The draft internal framework for UNDP offices was completed in October 2004. It will be circulated to the UNDP management practice network for final comments and will then become policy.

Recommendation

Paragraph 164. **UNDP agreed with the Board's recommendation that it institute adequate segregation of duties on Atlas to lower the risk of fraud and errors.**

UNDP response

34. This issue will be covered as part of the review of the ongoing internal control framework.

Recommendation

Paragraph 168. **UNDP agreed with the Board's recommendation that it intensify its effort to resolve the limitations on the general ledger module as a matter of priority.**

UNDP response

35. UNDP has intensified efforts to fully populate the general ledger. Completion is expected by the end of the fourth quarter.

36. Transactions processed in sub modules, viz. Treasury, Account Payable and Accounts Receivable, are being posted to the GL. Also, 2003 year end balances have been uploaded to the GL.

37. Further, key interfaces from Global Payroll and IMIS Payroll have been developed and moved into production. IMIS Payroll Interface (Phase 2), covering items like income tax, education grant, and monthly payment orders, is expected to be finalized before the end of the year.

38. The interface between the SAP AG company (Germany) and Atlas is being tested by the development team. It is expected to be released for User Acceptance Testing (UAT) during the last week of October and should move into production in early November.

Recommendations

Paragraph 173. **UNDP agreed with the Board's recommendation that it intensify its efforts to resolve the limitations affecting the non-performance of the bank reconciliations to ensure proper monitoring controls over cash balances.**

Paragraph 178. **The Board recommends that UNDP institute adequate controls to ensure compliance with its prescribed rules on the approval of payments.**

UNDP response

39. The instructions issued in July have been supplemented by three global question-and-answer sessions and other user support tools to increase the transaction reconciliation completion rate. The Comptrollers' Division has completed and tested a query to validate adjusted bank balances against the general ledger cash balance. This query will be in production shortly.

40. An interim solution for bank account separation in the general ledger that would not require adjustment to the chart of accounts has been identified. If found to be robust, this solution would serve until the upgrade of finance modules from version 8.4 to version 8.8 (which contains the bank-to-book reconciliation functionality) is accomplished.

Recommendation

Paragraph 180. **UNDP agreed with the Board's recommendation that it take immediate steps to rectify the weakness in the Atlas system that allows changes to payee details after the payment voucher has been approved.**

UNDP response

41. Following discussions among partner agencies (UNDP, UNFPA, and the United Nations Office for Project Services – UNOPS), a change request, which involved the restricting of a users ability to change 'remit' to 'vendor' for selected agencies following approval of payment vouchers, was implemented in release 1.8 (September 2004).

Recommendation

Paragraph 183. **UNDP agreed with the Board's recommendation that it ensure that payments split between two or more budget holders are approved by both budget holders before payment takes place.**

UNDP response

42. Following trilateral discussion with United Nations partner organizations, agreement was reached to implement workflow notification capability in the Atlas system whenever payment approvals involve multiple budget holders. This is considered a more cost-effective alternative option for compensating controls, as the required change would entail significant efforts in modifying both the back-end coding design, as well as the workflow routings compensating controls. The requirement specifications have been formalized and the new functionality is undergoing technical review and design. Implementation is expected before the end of December 2004.

Recommendation

Paragraph 185. **UNDP agreed with the Board's recommendation that it provide additional training regarding UNDP Financial Regulations and Rules to users responsible for the approval of purchase orders and payment vouchers.**

UNDP response

43. Training is a continuous process and includes headquarters-based budget holders.

Recommendation

Paragraph 189. **UNDP agreed with the Board's recommendation that it conduct regular internal audits to monitor adherence to UNDP financial regulations and rules and to assess internal controls especially during the initial implementation phases of Atlas.**

UNDP response

44. OAPR has commented extensively on the proposed reports to be generated by the Atlas system. Regarding the impact of Atlas on the audit and investigation functions, OAPR scheduled internal training for staff in September 2004, focusing on extracting and analyzing reports from the system. By late September, the country office audit approach will be revised to incorporate a review of internal controls in connection with the implementation of the Atlas system, with testing scheduled for November.

Recommendation

Paragraph 193. **UNDP agreed with the Board's recommendation that it expedite its efforts to develop and put into operation all exception/monitoring reports.**

UNDP response

45. A total of 17 audit exception reports have been identified by OAPR. The requirement specification documents are currently being developed. The plan is to implement the audit exception report before the end of December 2004, based on an agreed rollout plan.

Recommendation

Paragraph 196. **The Board recommends that UNDP take immediate steps to ensure that the Brazil country office implement Atlas in a cost-effective and efficient manner.**

UNDP response

46. Brazil will not migrate to the Atlas system until the issue of external access has been addressed within the context of Wave 2. The interface requirements for the Atlas-SAP system in Brazil have been finalized and developed. It is currently in the testing phase and is targeted to be moved into production before the end of December 2004.

Recommendation

Paragraph 199. **The Board recommends that UNDP reconsider the activation of the audit trail function, especially as an interim measure, taking into account the benefits and effect it would have on the operations of Atlas.**

UNDP response

47. Action to implement the recommendation would depend upon the outcome of the independent evaluation of internal UNDP controls.

Recommendation

Paragraph 204. **The Board recommends that UNDP allocate resources urgently to resolve the shortcomings identified with Atlas as soon as possible, especially those classified as critical.**

UNDP response

48. The Change Control Board (CCB) currently comprising technical, business representatives from UNDP, UNFPA and UNOPS, continues to be the competent body responsible for reviewing all application change requests and production issues in connection with Atlas modules. Resource issues continue to be prioritized at the CCB, with cross-harmonization issues being forwarded to the Tri-Lateral Advisory Panel (TAP) for further deliberation. Eight application releases (R1.1 to R1.8 have been completed to date).

Recommendation

Paragraph 210. **UNDP agreed with the Board's recommendation that it ensure that the Management Review and Oversight Committee (MROC) meet more frequently in order to effectively carry out its oversight responsibilities.**

UNDP response

49. A meeting is scheduled for November 2004, which will include a discussion of the membership and terms of reference of MROC.

Recommendation

Paragraph 212. **The Board recommends that UNDP address the shortcomings identified between the Management Review and Oversight Committee and best practices for an audit committee function.**

UNDP response

50. As indicated above, the upcoming meeting of MROC will address the shortcomings between the present terms of reference for MROC and best practices for an audit committee.

Recommendation

Paragraph 216. **UNDP agreed with the Board's recommendation that it: (i) evaluate establishing a risk management function responsible for implementing a risk management strategy at UNDP; and (ii) conduct a comprehensive risk assessment exercise.**

UNDP response

51. UNDP will discuss strategies for an effective risk management function, including a comprehensive risk assessment exercise, at the upcoming meeting of MROC. In parallel, UNDP will continue discussions at the level of the HCLM and the finance network concerning a harmonized approach.

Recommendation

Paragraph 219. **UNDP agreed with the Board's recommendation that it establish mechanisms needed to manage risk in terms of best practices.**

UNDP response

52. UNDP is reviewing this in parallel with the governance issue to be addressed at the HLCM in October 2004.

Recommendation

Paragraph 223. **UNDP agreed with the Board's recommendation that it expedite filling vacancies within the Office of the Audit and Performance Review.**

UNDP response

53. A new director has been selected effective 1 November 2004. As for the six programme specialists, recruitment is nearly complete for five of the posts. The sixth will be readvertised as no suitable candidates were identified thus far. Interviews for the quality assurance officer will take place in October.

Recommendation

Paragraph 229. **UNDP agreed with the Board's recommendation that it: (i) consider making the Management Review and Oversight Committee part of the panel responsible for the appointment and assessment of the head of the internal audit department; (ii) include evidence of considerations of independence in its working papers prior to the commencement of any audits; (iii) ensure that internal audit compiles and implements a three-year strategic plan that addresses the risk management strategy; and (iv) ensure that the Management Review and Oversight Committee approve all three-year and annual audit plans and significant amendments thereto before implementation.**

UNDP response

54. UNDP will provide evidence of independent considerations in working papers and will prepare a 3-year strategic plan addressing the risk management strategy, which it will submit to MROC in the last quarter of 2004. UNDP would comply with IIA standards as appropriate in this connection.

Recommendation

Paragraph 236. **UNDP agreed with the Board's reiterated recommendation to revise its programme of internal audit work to include an appropriate level of coverage on financial procedures and controls at headquarters.**

UNDP response

55. In its audit plan for 2005, OAPR will place a priority on financial procedures and controls. In addition, the audit of a headquarters bureau, to take place in the fourth quarter of 2004, will focus on financial procedures and controls within the unit.

Recommendation

Paragraph 240. **UNDP agreed with the Board's recommendation that it document the reasons for delays in implementing the recommendations of the Office of Audit and Performance Review.**

UNDP response

56. Effective October 2004, OAPR will document the reasons for delays in the implementation of its recommendations.

Recommendation

Paragraph 246. **UNDP agreed with the Board's recommendation that it: (i) determine a standard time frame for the timely issuance of reports; and (ii) monitor compliance with these standards on a regular basis while documenting and following-up the reasons for any significant delays.**

UNDP response

57. OAPR will take steps by the fourth quarter of 2004 to monitor these requirements and to hold Chiefs of the respective audit centres accountable for non-compliance.

Recommendation

Paragraph 252. **As reported earlier UNDP agreed with the Board's recommendation that it consider establishing a risk management framework, based on best practices, in the context of its review of governance structures as requested by the General Assembly in its resolution 57/278, paragraph 6.**

UNDP response

58. Subsequent to the recommendation, this issue was addressed at the HLCM meeting in October 2004.

Recommendation

Paragraph 256. **UNDP agreed with the Board's recommendation that it: (i) update the current treasury policies and procedures to be in line with best practices, taking into account the restructuring process and the implementation of the Atlas system; and (ii) incorporate all management reporting policies and procedures into the treasury policy and procedures.**

UNDP response

59. The Treasury Policy and Procedures Manual will be updated by end of the first quarter of 2005. The UNDP Investment Committee approved revised, expanded investment guidelines at its meeting on 12 October 2004.

Recommendation

Paragraph 260. **UNDP agreed with the Board's recommendation that its Investment Committee determine the management information required at the different levels of reporting and create the relevant reports.**

UNDP response

60. Eight reports have been specified and put into production, and additional reports will be developed in 2004 as required. The Treasurer is responsible for their completion.

Recommendation

Paragraph 267. **UNDP agreed with the Board's recommendation that it prepare, monitor and evaluate short-term projected cash flows for all country offices, in each currency, in an improved manner, in order to anticipate future funding or investment requirements.**

UNDP response

61. Treasury will implement a cash position worksheet tool in 2004, which is embedded in the Atlas cash management module to support over time the preparation, monitoring and evaluation of short-term projected cash flows for most offices and currencies in which UNDP operates. Technical development of the cash position worksheet tool has been completed, and the worksheet is undergoing testing in the follow offices: headquarters, Treasury, the Programme of Assistance to the Palestinian People, and the Afghanistan and Honduras offices. It is expected to be in production by the end of 2004.

Recommendation

Paragraph 274. **UNDP agreed with the Board's recommendation that it review periodically the delegated levels of authority in treasury to reaffirm the appropriateness of such authorities.**

UNDP response

62. As noted, commencing in March of 20[illegible] treasury management will periodically review the delegated levels of authority. The Treasurer is responsible for completion of this review.

Recommendation

Paragraph 277. **The Board recommends that UNDP perform additional trade verification procedures, such as monitoring of credit and market risk limits, independently of the trading function.**

UNDP response

63. The risk management module was implemented with reports available on credit limit, counterparty limit and other criteria.

Recommendation

Paragraph 279. **UNDP agreed with the Board's recommendation that it regularly review computer security and communication controls.**

UNDP response

64. Treasury will confer internally with OIST in the second half of 2004 on the methodology to be used for such reviews. The Treasurer is responsible for initiating the conference.

Recommendation

Paragraph 282. **The Board recommends that UNDP re-evaluate its policy in respect of the maximum exposure with any counterparty to include more than one constraining factor.**

UNDP response

65. The rrevised guidelines introduce more than one constraining factor for investment selection.

Recommendation

Paragraph 285. **The Board recommends that UNDP: (i) formally document and approve policies and procedures for the valuation of foreign exchange, bonds and interest accruals; and (ii) include interest accruals in the monthly management reports.**

UNDP response

66. Treasury will liaise with the Comptroller's Division on the formulation of a policy and procedures statement for the valuation of foreign exchange hedges and bonds, as well as interest accruals during the second half of 2004. Information on interest accruals will be included in monthly management reports to the extent that management finds such information useful. The Treasurer and the Comptroller are jointly responsible for completion.

Recommendation

Paragraph 288. **UNDP agreed with the Board's recommendation that it generate and review a report of reconciling items between the Treasury Module and the accounting records.**

UNDP response

67. A query has been designed and will be in production in the fourth quarter of 2004.

Recommendation

Paragraph 290. **UNDP agreed with the Board's recommendation that it: (i) perform adequate internal audit reviews based on the outcome of a Treasury risk assessment and bearing in mind specialist areas; (ii) involve internal audit in assessing the overall adequacy of the information technology and risk management systems of UNDP's Treasury; and (iii) require internal audit to report regularly to the Investment Committee on matters relating to Treasury.**

UNDP response

68. These procedures will be included in the 2005 audit plan.

Recommendation

Paragraph 297. **UNDP agreed with the Board's recommendation that it establish a clear time frame for implementation of results-based budgeting.**

UNDP response

69. UNDP has prepared a concept paper with a practical framework for introducing and implementing results-based budgeting (RBB). It is expected that a consensus will be reached on a common framework for RBB during the last quarter of 2004. A workable implementation strategy will be developed during the latter part of 2004.

Recommendation

Paragraph 303. **UNDP agreed with the Board's recommendation that it provide guidance to country offices in its efforts to monitor the correlation between reported expenditures and the level of project implementation. UNDP also agreed with the Board's recommendation that it improve its performance measurement process to: (i) monitor technical implementation in comparison to financial implementation at the performance indicator level and/or using a weighted average aggregate technical implementation rate, based on a feasibility analysis; (ii) ensure that all targets are realistic and stated in measurable terms where possible; (iii) receive progress reports in a timely manner; and (iv) revise targets to take into consideration exchange rate fluctuations.**

UNDP response

70. The new budget format linking project activities and budget was rolled out following the United Nations simplification harmonization exercise.

71. Outcome target information is currently being loaded into the Atlas system to enable monitoring of program outcomes. It is expected that all UNDP projects will be linked to specific outcomes by the end of 2004. The loading process is expected to be completed by the end of October 2004.

Recommendation

Paragraph 306. **UNDP agreed with the Board's recommendations that it: (i) evaluate the causes for the delays in completely closing off projects and take**

appropriate action to rectify these causes; and (ii) take immediate steps to finalize all outstanding activities of operationally completed projects currently in compliance with the UNDP Programming Manual.

UNDP response

72. ATLAS has a functionality that will allow UNDP to monitor the closing of operationally closed projects at country offices.

Recommendation

Paragraph 309. **UNDP agreed with the Board's reiterated recommendation to establish benchmarks for performance for contract letting and to monitor performance against those standards. The Board further recommends that UNDP continue to seek ways to streamline its contract letting process.**

UNDP response

73. The major improvements in the contract letting process are as follows:

(a) Establishment of the Online Advisory Committee on Procurement (e-ACP); and
(b) Establishment of the regional Advisory Committee on Procurement (ACP) on a pilot basis.

74. In connection with the e-ACP, the software has been developed and tested and tried out, and user guidelines were released in October 2004. The regional ACP is scheduled to be set up in Panama to cover the submissions from Latin American and Caribbean countries. Selection of the candidate for this post has been completed, and the regional ACP will be operational by January 2005.

Recommendation

Paragraph 312. **UNDP agreed with the Board's recommendation that it evaluate supplier performance in terms of the guidance provided in the UNDP Procurement Manual.**

UNDP response

75. Supplier Performance Evaluation, as mentioned in the Procurement Manual, calls for the capturing following data:

(a) Actual delivery compared to scheduled delivery;
(b) Quality of goods and services provided;
(c) Accuracy of documentation;
(d) After -sales service; and
(e) Speed of response.

76. The above are part of the 'strategic sourcing' Atlas application that will be implemented during 2005. The preparation of a business case for implementing the above application is under way at the time of writing.

Recommendation

Paragraph 320. **The Board encourages UNDP and UNV to continue with the efforts to follow up on all inactive fully funded arrangements with a view to**

finalizing all outstanding activities and to comply with the specific closure requirements included in the donor agreements.

UNDP response

77. UNDP regularly follows up inactive Trust Funds with the relevant Fund Managers to get a decision from the donor on the utilization of the funds. UNV has written letters to its donors requesting action to be taken.

Recommendation

Paragraph 326. **UNDP agreed with the Board's recommendation that it: (i) expedite its revision of the special service agreement guidelines; and (ii) adhere to the special service agreement guidelines in respect of duration of contracts.**

UNDP response

78. The review of the draft guidelines has in first instance indicated that a further integration with procurement practices and rules needs to be pursued. This is prompted by the fact that in the Atlas system SSAs are covered under the procurement module. The Office of Legal and Procurement Services (OLPS) is now updating the text and ensuring harmonization in the above context. A revised draft will be ready for organization-wide review by November 2004.

Recommendation

Paragraph 328. **UNDP agreed with the Board's recommendation that it review the performance of staff on Special Service Agreements (SSAs) during the period of service in order to: (i) effectively monitor the progress of SSAs; and (ii) identify weaknesses in performance at an early stage so that the appropriate action can be taken.**

UNDP response

79. UNDP will ensure that such a review is carried out on a regular basis.

Recommendation

Paragraph 331. **UNDP agreed with the Board's recommendation that it consistently and fully document the minutes of all Appointments of Limited Duration (ALDs) ad hoc panel meetings. Furthermore, the Board recommends that UNDP include in the file of the selected candidate minutes of the related ALDs ad hoc panel meetings.**

UNDP response

80. The revised ALD guidelines (user guide) will be placed on the management practice network in November 2004. Depending upon the extent of comments received, approval can still be expected in 2004. It should be noted that the process was delayed due to the need to include grade descriptors in the guidelines establishing to some degree the levels and typical (generic) functions that an ALD would undertake.

Recommendation

Paragraph 333. **UNDP agreed with the Board's recommendation that to undertake timely performance assessments for Appointments of Limited Duration in order to: (i) effectively monitor their progress; and (ii) identify weaknesses in performance at an early stage so that appropriate action can be taken.**

UNDP response

81. Bureaux have been reminded to prepare timely performance assessments and identify weaknesses in performance when appropriate. A new ALD user guide has been prepared to reinforce this procedure. Organizational approval processes and review of the manual will take place in the fourth quarter of 2004, led by Office of Human Resources management team.

Recommendation

Paragraph 335. **UNDP agreed with the Board's recommendation that it consider converting the present Appointments of Limited Duration (ALD) contracts, which are classified as appointments of a permanent nature, to the appropriate type of contract in terms of the UNDP employment directives.**

UNDP response

82. UNDP informed the Board that ALD guidelines were being updated and that the above recommendations would be taken into account and clearly reflected in the guidelines.

Recommendation

Paragraph 340. **UNDP agreed with the Board's recommendation that it follow a more rigorous process in future to ensure that value for money is obtained when consultants are appointed.**

UNDP response

83. Value for money is a key criterion for review and approval of all contracts. Benchmarks used include the benchmark prices established by the Inter-Agency Procurement Services Office and consulting fees being charged. In addition, emphasis is placed on linking the cost with various deliverables specifically for professional services instead of lump sum price.

Recommendation

Paragraph 347. **UNDP agreed with the Board's recommendation that it continue with its efforts to implement a Learning Management System in order to properly benchmark and evaluate the impact of initiatives taken.**

UNDP response

84. UNDP is continuing with its efforts to implement a learning management system.

Recommendation

Paragraph 352. **UNDP agreed with the Board's reiterated recommendation to finalize and implement the service-level agreements for services provided by UNDP to UNFPA and UNOPS as a matter of priority**

UNDP response

85. The basic agreement with UNFPA is being costed and will be shared with them in the near future. Due to the transfer of UNDP human resources administrative services to Copenhagen, an additional time study is being undertaken to calculate the costs of supporting UNFPA from this location, taking into account that UNFPA has a dedicated service unit operated by UNDP staff on its premises in New York. The SLA should be completed by the end of 2004.

86. With UNOPS, the situation is evolving as new arrangements have been agreed to cover the modalities whereby UNDP staff are placed on assignment with UNOPS. Standardization towards the interagency mobility accord has been reached, and all staff will be placed on formal secondment by the end of 2004. UNOPS has indicated that from 2005 onwards they will undertake the full service of all UNOPS staff. This implies that except for payroll-related functions in IMIS, all services will be cancelled. Consultations with UNOPS to recast the working relationship are ongoing.

87. The SLAs with UNFPA and UNOPS will be finalized and signed during the fourth quarter of 2004.

Recommendation

Paragraph 358. **UNDP agreed with the Board's recommendation that it continuously monitor the savings derived from the retrofitting of the FF-building to evaluate if the project generates the expected savings.**

UNDP response

88. This situation is being monitored continuously to evaluate the expected savings from the project.

Recommendation

Paragraph 362. **UNDP agreed with the Board's recommendation that it implement procedures to review environmental concerns during the procurement process, using the guidance provided in the UNDP Procurement Manual.**

UNDP response

89. UNDP is addressing this issue within the context of its procurement strategy for 2004-2007, which is expected to be issued in December 2004. The implementation of procedures will then follow during the first quarter of 2005. The Director, OLPS, is responsible for this activity.

Recommendation

Paragraph 371. **The Board recommends that UNDP expedite its follow-up of the outstanding response with the United Nations Office for Legal Affairs (OLA) and intensify its efforts to finalize the outstanding reimbursement.**

UNDP response

90. UNDP is following up with OLA as well as directly with the United Nations Children's Fund with a view to settling this long-outstanding dispute.

Recommendation

Paragraph 379. **UNDP agreed with the Board's recommendation that it, in conjunction with UNFPA and UNOPS, intensify its efforts to finalize the fraud prevention strategy and fraud policy statement.**

UNDP response

91. The fraud policy statement has been completed and will be released by end of November 2004. The timetable for the remaining actions within the fraud prevention strategy is being finalized by the inter-agency group during the third quarter 2004 for implementation in 2004-2005. The Directors, OAPR and OLPS, are jointly responsible for this activity.